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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001053

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SUBJECT: BURMA: ASEAN PERSPECTIVES - PART I

Classified By: CDA Shari Villarosa for Reasons 1.4 (b,d)

11. (C) Summary: Charge's courtesy calls on four ASEAN Ambassadors revealed differing, but in the end negative, views on Burma's future. While the departing Malaysian and Bruneian ambassadors were blunt in their negative assessments of the current conditions, the relatively new Singaporean ambassador downplayed problems. Instead he highlighted his country's investments and assistance programs. The Philippines ambassador urged USG engagement with Burma's military as the "most realistic" policy. End summary.

#### Investment Climate Deteriorating

12. (C) At September 8 and 12 introductory calls, Charge' heard generally negative assessments from outgoing Malaysian Ambassador Dato Cheah Sam Kip and outgoing Bruneian Ambassador Pehin Dato Haji Hussin. Ambassadors Cheah and Hussin commented on how shocked they were at the rural poverty, particularly in Rakhine State, and how unattractive the climate has become for investment. Amb. Hussin said the situation "had gone from bad to worse" during his four and a half years, and that there are no Bruneian investors or businesses in Burma. His government's negative assessment of the economic climate led it to ignore the GOB's earlier pleas for investment and to warn potential investors away. The only Malaysian investments doing well, according to Amb. Cheah, are in the oil/gas industry and a couple of light manufacturing factories. Because the GOB relinquished the ASEAN Chair and ASEAN moved the 2006 Tourism Forum from Burma, prospects for Malaysia tourism investments are poor. Reasons for the economic decline, according to Amb. Cheah, include the unstable currency, weak banking structure and unpredictable political situation. He cited the GOB's declining investment approval figures of over \$1 billion in 1995 to \$90 million in 2003, as proving the poor investment climate.

13. (C) Singaporean Amb. Thambynathan Jasudasan has been here just ten months. Amb. Jasudasan downplayed problems experienced by Singaporean investors, saying they still earned decent profits and felt little GOB pressure to increase the "Burmese stake" in joint ventures. He did admit investors have difficulty collecting cash up front for the local partner's (the GOB's Myanmar Economic Corporation) share of investment. Singapore is Burma's largest trading partner and investor on the books, though China may have more money in country if informal activities are counted, according to Amb. Jasudasan. Singaporean investments are mainly in tourism, beverages, cigarettes, shipping and financial services.

#### Military Turning Inward

14. (C) Since former PM Khin Nyunt's ouster last October, the GOB has grown more isolationist and xenophobic, according to Malaysian Amb. Cheah. The generals, however, do not feel the suffering of the people and do not care about them anyway, he said. According to Philippines Amb. Phoebe Gomez, unlike the Filipinos, who are "flexible like bamboo," the SPDC is stubborn and "hard as teak wood." Bruneian Amb. Hussin said that the people are afraid to say anything to the government about their problems. All acknowledged having minimal access to government leaders since the downfall of Khin Nyunt.

15. (C) Ambassadors Gomez and Jasudasan criticized U.S. sanctions policy and urged increased U.S. engagement with the regime. Amb. Gomez, who has been here five and a half years, encouraged the USG to engage the next generation of military officers, since "they are the only ones who are in a position to continue leading the country." Amb. Jasudasan described GOS programs that offered training and thousands of scholarships annually to GOB civil servants and public sector workers. He claimed nine out of ten return to Burma. He encouraged the USG to offer more educational opportunities and English language classes. Amb. Cheah said sanctions were driving Burma closer to China, which has compelled India to become more engaged.

16. (C) Charge' noted the contrast with other ASEAN nations that have invested in their people to raise standards of living, while the Burmese military spends only on itself. The Charge' stressed that we need to encourage inclusiveness and support the crucial role of civil society and political parties, adding most ASEAN countries have demonstrated successfully that increased political and economic

liberalization have promoted development. In contrast, the closed, inward-looking policies of the Burmese military have impoverished their people.

Comment: Familiarity Breeds Contempt?

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17. (C) Comment: Perhaps because these meetings came a few days before their departures, the Bruneian and Malaysian ambassadors were uncharacteristically frank about the bleak outlook for Burma. With significantly more investment at stake, it is not surprising that the Singaporean ambassador focused on the positive. He began the meeting by calling Singapore America's "best friend in ASEAN", highlighting our close cooperation on a wide array of issues. Obviously, we diverge on Burma. Amb. Gomez is content to be the social director of the diplomatic community as Dean, has no Philippine interests at stake, and so does not see any need to disrupt her life. Nevertheless, all of the Ambassadors acknowledged that the Burmese military was the primary source of political, economic, and social problems in Burma today. They just do not believe that they can influence any change in Burma. Instead they prefer to urge us to change, with the hope that their investments might then prosper. End comment.  
Villarosa